Séché environnement

Séché global solutions **Press release**

Changé, April 25, 2012

Consolidated results as of December 31, 2011

Lower operating performance offset by financial performance

- Robust activity of businesses (excluding treatment of PCBs): revenue of €424.2m (+5.5%)
- Operating margin penalized by change in activity mix and exogenous and/or non-recurring expenses: COI of €57.4m (13.5% of revenue)
- Net income from consolidated companies of €44.0m (10.4% of revenue)
- Robust investments: Capex of 11.8% of revenue for cash flow of 20.5% of revenue
- Net debt level maintained: net debt/EBITDA of 1.96 (covenant at 3X EBITDA)

2012 strategy focused on commercial development and financial solidity

- Continuation of business mix effects: Current Operating Income could settle to around 12% of revenue (excluding IFRIC 12 revenue), which could set a record low for operating profitability compared to next years
- Selective investments: Capex of about €38m (excluding concession investments)

Hime – Saur:

- Revenue growth: +5.7% to €1,646.5m (+3.1% at constant scope)
- EBITDA stable at €186.2m (i.e. 11.3% of revenue)
- Net loss increased to €(86.1)m vs. €(58.1)m

Commenting on the past year, Joël Séché highlighted Séché Environnement's solid performances amid a more difficult economic environment:

"During 2011, Séché Environnement generated an excellent level of business activity as a result of its development strategy on its new markets, such as the outsourced waste management and recovery businesses. Changes in operating margins mirrored modifications to the business mix and, more importantly, these margins were significantly affected by deteriorating PCB markets and exogenous and non-recurring expenses.
Despite these items, net income from consolidated companies, measuring the performance of activities under operational control, was maintained at a high level. In addition, the Group generated very high cash flow, which allowed it to finance its robust capital expenditure policy and shore up the solidity of its balance sheet ratios.

In 2012, the Group's development strategy will be supported by a healthy financial situation, reinforced by the extension of the maturity of its debt.
Firmly rooted in waste treatment and recovery, two regulated markets, Séché Environnement will pursue its strategy focusing on the sorting and recovery businesses as well as markets for outsourcing waste management.
These commercial developments should contribute to growth over the year and will also result in the continuation of mix effects on our operating margins.

When Nantes Métropole awarded Séché Environnement a major utilities delegation contract, it testified to the Group's active commercial strategy and to the attractiveness of its offer geared towards large municipalities and industrial companies, on the environmental and sustainable development services markets."

Audited consolidated figures in €m (under IFRS)

As of December 31	2010 restated[1]	2011	Change 2011/2010
Revenue	402.1	424.2	+5.5%
EBITDA	103.7	97.4	-6.0%
Current operating income	**66.9**	**57.4**	**-14.2%**
Operating income	60.4	55.2	-8.7%
Net income from consolidated companies	46.1	44.0	-4.6%
Net income (Group share)	**27.4**	**15.9**	**-42.1%**

Accounts approved by the Board of Directors on April 19, 2012.

Lower operating performance reflecting changes in the business mix and the impact of exogenous and/or non-recurring items

Over the course of 2011, Séché Environnement recorded solid growth, with revenue increasing 5.5% especially in new business, which led to a substantial change in the business mix.

Consequently, changes in Séché Environnement's operating profitability mirrored these modifications to the business mix. In fact, it was affected by exogenous and non-recurring items as well as declining growth in the PCB business, which was marked especially in the second half.

- **EBITDA** (earnings before interest, tax, amortization and depreciation) stood at **€97.4m**, **i.e. 23.0% of revenue** (versus 25.8% of revenue in 2010).

  The positive contribution of organic growth (€+2.5m) was offset by the significantly unfavorable change in the PCB business for €(3.1)m and by the changes in the business mix for €(1.2)m.

  A host of exogenous and/or non-recurring factors (rising energy costs, maintenance overruns, cancellation of the "Fillon" tax reductions, etc.) also contributed to the contraction in gross profitability (negative impact of €4.5m);

- **COI** (Current Operating Income) reached **€57.4m, i.e. 13.5% of revenue**, (compared with 16.6% of revenue one year ago).

  The change in COI is mostly a reflection of changes in EBITDA but also takes into account the increase in concession expenses ("GER", i.e. renewal expenses for disposed assets and rehabilitation, for €1.8m, linked, notably, to Sénerval, which was not consolidated in the first half of 2010) and an increase in site rehabilitation expenses for €2.8m.

- **Operating income totaled €55.2m, i.e. 13.0% of revenue (vs. 15.0% of revenue** in 2010). 2011 operating income was boosted when the non-renewal of a non-recurring expense was booked in 2010 due to the application of IFRS 3 as amended (€4.9m).

[1] *The presentation of expenses relating to the renewal of disposed assets and site rehabilitation was modified in 2011 compared with 2010, with an effect on 2010 EBITDA of €+2.3m and no effect on current operating income.*

Net income from consolidated companies of €44.0m, i.e. 10.4% of revenue (vs. 11.5% of revenue in 2010)

Net income from consolidated companies, which measures the performance of activities under operational control, partially absorbed the contraction in operating income on account of a favorable change in financial income.

Indeed, **financial income** was positive and increased to **€8.3m** versus €6.0m one year ago. This increase reflects both the reduction in average net financial debt over the year and the improvement in the cost of the debt.

After booking Share in income of affiliates, which was down markedly due to poor results from Hime, **Net income (Group share) stood at €15.9m, i.e. 3.7% of revenue** (vs. 6.8% of revenue in 2010).

Growth in cash flow and corporate ratios maintained

The Gross cash margin totaled **€86.8 million**, i.e. 20.5% of revenues. The Group was easily able to finance its industrial investments with cash, which were up significantly over the period (€50.1m, i.e. 11.8% of revenue versus 6.7% of revenue in 2010). Over the year, the total amount of concession investments (IFRIC 12) reached €1.3m.

Higher investment levels were mostly the result of the selective and targeted development strategy in high-growth businesses such as the sorting and recovery of materials (production of solid fuels from waste recovery) and the production of renewable energies linked to the Group's historic business lines (solar power farm in Le Vigeant)

Consolidated **net debt** shrunk slightly to €191.9m and financial ratios remained stable at **0.54x shareholders' equity and 1.96x EBITDA** (vs. €194.9m one year earlier, i.e. 0.53x shareholders' equity and 1.91x EBITDA), thus underscoring the Group's financial solidity.

The Group recently refinanced its bank debt for a total amount of €188m while significantly extending its maturity[2].

2012 outlook: development on new businesses

A specialist in recovering and treating waste, Séché Environnement has a presence on well-established markets with high barriers to entry that are rife with commercial opportunities involving sustainable development issues affecting society.

Séché Environnement strives to drive market developments by diversifying its environmental services offer and by investing to develop new activities in an effort to anticipate the needs of its client base including municipalities and industrial companies.

The Group is pursuing an active development strategy on the promising sorting and recovery businesses, which meet the regulatory requirements of the Grenelle de l'Environnement. Its strategy also aims to win new clients, including major municipalities and leading industrial companies, through its outsourcing services, which are also an opportunity to strengthen the visibility of its businesses.

[2] See press release from April 12, 2012

This strategy has resulted in a gradually change in its business mix and by a robust and targeted investment policy to fund these new activities.

In 2012, amid an uncertain financial and economic environment, Séché Environnement expects to maintain growth that is in line with trends observed in the early part of the year.

As of March 31, 2012, consolidated revenue amounted to €105.3m, resulting in an increase of 2.6% in relation to the first quarter of 2011.

Growth was driven, in particular, by the Non-Hazardous Waste division (+8.7% to €40.2m) while the Hazardous Waste division was stable (-0.8% to €65.1m).
International revenue stood at €5.8m (versus €5.9m in the first quarter of 2011).
The amount of concession investments made over the period reached €1.9m (vs. €0.4m as of March 31, 2011).

Séché Environnement plans to invest around €60m in 2012 in industrial investments (including €22m in concession contracts).

Slower growth expected in PCB markets over the current year of about €10m should again weigh on changes in the operating margin.

Consequently, **COI could finish the year at roughly 12%** of consolidated revenue (excluding IFRIC 12 revenue). This level is expected to reflect a low point for operating profitability but is likely to improve in the future.

Major new commercial success on the utility delegation markets

Nantes Métropole, the 2013 European Green Capital, designated Séché Environnement as the winner of a public service delegation contract for the Prairie de Mauve waste treatment site.

This delegation contract is expected to generate revenue of approximately €144m over 12 years. It will take effect on October 12, 2012 and €2m in revenue is expected over the current year.

To operate this public service delegation, Séché Environnement is going to create a dedicated subsidiary, Alcéa, that will employ the entire staff of the plant operated, up until now, by Sita/Norvegia.

Séché Environnement's Alcéa project was selected because of its quality technical, financial and environmental engineering. In particular, Séché Environnement demonstrated to the municipality the economic sense in making the major technical and environment upgrades that it is planning for this waste recovery and treatment facility. It will be comprised of 3 parts: sorting, transfer and incineration (capacity: 135,000 tons).

In addition to its expertise in running major energy recovery plants, Séché Environnement was also recognized, once again, by a major municipality for its competencies with regard to sorting and recovering non-hazardous waste and for the quality of its environmental approach.

Hime Group

Consolidated revenue of the sub-group Hime as of December 31, 2011, included:

- Revenue growth (+5.7% to €1,646.5m) integrating a structure effect (€40.5m). As such, growth at constant structure was lowered to +3.1%;

- EBITDA stable at €186.6m, i.e. 11.3% of revenue (vs. €187.0m, 12.0% of revenue in 2010).

  This stability is a reflection of:
  - ✓ In the water businesses, productivity gains and the contribution of international development, which partially offset commercial effects and unfavorable weather (€-22.5m);
  - ✓ In environmental services, positive effects resulting from improved management of contracts and prices of secondary raw materials burdened by increasing energy prices.

- COI stable at €64.6m, i.e. 3.9% of revenue (vs. €65.1m, i.e. 4.2% of revenue in 2010), in line with the level of EBITDA;

- Financial income down slightly €(139.1)m versus €(135.2)m in 2010, under the combined effect of the increase in net debt and the cost of the debt;

- Tax income that had deteriorated markedly due to a finance law limiting deficit activation. Tax income stood at €(9.3)m vs. €15.1m in 2010.

As of December 31, 2011, Hime's consolidated net income stood at a loss of €86.1m versus a net loss of €58.1m the previous year.

Net financial debt rose to €1,659.6m (vs. €1,553.9m one year ago), which produced leverage of 8.29x EBITDA (vs. 8.06x).

<u>2011 key figures</u>

Consolidated data in €m (under IFRS)

As of December 31	**2010**	**2011**	**Change 2011/2010**
Revenue	1,557.0	1,646.5	+5.7%
EBITDA	**187.0**	**186.6**	**-0.2%**
Current operating income	65.1	64.6	-0.7%
Financial income	(135.2)	(139.1)	-
Tax income (expense)	15.1	(9.3)	-
Consolidated net income (Group share)	(58.1)	(86.1)	-

The results presentation will be available
on April 26, 2012 (11:30 a.m. Paris time) at:
http://www.groupe-seche.com/majic/pageServer/1b0100000m/fr/Presentations-SFAF.html

The press conference can be downloaded starting April 26, 2012 (6 p.m. Paris time) at the same address.

APPENDICES

Consolidated income statement as of December 31, 2011
Consolidated balance sheet as of December 31, 2011
Consolidated cash flow statement as of December 31, 2011

About Séché Environnement

Séché Environnement *is one of the leading players in the treatment and storage of all types of non-radioactive industrial and household waste in France, whether from industry or from local communities. Its facilities enable it to offer high-quality global solutions that incorporate all environmental requirements.*

As the leading independent operator in France, ***Séché Environnement*** *is uniquely positioned in activities, concentrating on the higher added-value end of the recovery, treatment, and storage markets.*

The Group offers integrated specialized services:

- *Material or energy recovery from hazardous and non-hazardous waste*
- *Treatment (thermal, physical-chemical, etc.)*
- *Storage of ultimate hazardous and non-hazardous waste*

It is actively developing on waste management outsourcing markets for its clientele of large communities and major industrial companies.

In April 2007, Séché Environnement acquired a 33% stake in Saur Group, the No. 3 player in the Water and Environmental Services sector in France.

Séché Environnement *has been listed on Eurolist by Euronext since November 27, 1997.*
(Compartment B – ISIN: FR 0000039139 – Bloomberg: SCHP.FP – Reuters: CCHE.PA)

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APPENDICES

Consolidated income statement as of December 31, 2011

	ACTUAL 12/31/10		12/31/10 restated		12/31/11	
REVENUE	**402,122**		**402,122**		**424,158**	***5.5%***
EBITDA	**101,397**	***25.2%***	**103,704**	***25.8%***	**97,438**	***23.0%***
CURRENT OPERATING INCOME (COI)	**66,887**	***16.6%***	**66,887**	***16.6%***	**57,362**	***13.5%***
OPERATING INCOME	**60,431**	***15.0%***	**60,431**	***15.0%***	**55,180**	***13.0%***
FINANCIAL INCOME	**6,892**	***1.7%***	**6,892**	***1.7%***	**8,318**	***2.0%***
Tax	21,226	*5.3%*	21,226	*5.3%*	19,489	*4.6%*
INCOME FROM CONSOLIDATED COMPANIES	**46,097**	***11.5%***	**46,097**	***11.5%***	**44,010**	***10.4%***
Share of income of affiliates	(19,201)	*4.8%*	(19,201)	*4.8%*	(28,326)	*6.7%*
Minority interests	(470)	*0.1%*	(470)	*0.1%*	(172)	*0.0%*
NET INCOME (Group share)	***27,366***	***6,8%***	***27,366***	***6.8%***	***15,856***	***3.7%***

Consolidated balance sheet as of December 31, 2011

	12/31/2010 (restated)	12/31/2011
NON-CURRENT ASSETS	575,268	570,128
CURRENT ASSETS (excluding cash and cash equivalents)	133,144	146,411
Excluding cash and cash equivalents	43,431	24,686
TOTAL ASSETS	**751,843**	**741,225**
SHAREHOLDERS' EQUITY	369,728	356,093
FINANCIAL DEBT	238,363	216,640
HEDGING INSTRUMENTS	2,593	3,795
PROVISIONS	19,934	28,393
OTHER LIABILITIES	121,225	136,304
TOTAL LIABILITIES	**751,843**	**741,225**

Consolidated cash flow statement as of December 31, 2011

	12/31/2010 (restated)	12/31/11
CASH FLOW before tax and financial expenses	100,757	86,774
CHANGE IN WORKING CAPITAL REQUIREMENT	3,981	11,338
Income tax paid	-11,731	-23,584
NET CASH FLOW FROM OPERATING ACTIVITIES	**93,007**	**74,529**
Investments in tangible and intangible assets	-29,214	-51,754
Proceeds from fixed asset disposals	2,239	1,607
Net financial investments	4,461	-91
Net cash from acquisition and disposal of subsidiaries	-56	-224
NET CASH FROM INVESTMENTS	**-22,571**	**-50,462**
Dividends paid to equity holders of the parent company	-11,151	-11,145
Proceeds and repayment of borrowings	-26,812	-24,423
Interest paid	-8,544	-6,891
Other cash flow	230	-333
NET CASH FROM FINANCING	**-46,277**	**-42,793**
CHANGE IN CASH AND CASH EQUIVALENTS	**24,160**	**-18,725**
Foreign exchange fluctuation	67	-118
CASH FLOW AT OPENING	**18,622**	**42,849**
CASH FLOW AT CLOSING	**42,849**	**24,005**